

COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION OF THE COMMISSION TO THE COUNCIL

concerning the participation of the Community in Preparatory Meetings on jute and jute products in the framework of the Integrated Programme on commodities adopted by the 4th UNCTAD

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I. General Observations

1. The integrated programme adopted by Resolution 93 IV of the 4th UNCTAD foresees among other things the holding of preparatory meetings followed by eventual negotiations on a certain number of products among which are included jute and jute products. The first preparatory meeting on this product will be held in Geneva from the 25 to 29 October 1976.
2. These activities, as much on the political as on the economic level fit in with the efforts the Community has been making for some time in its search for a more balanced and just framework for international economic relations.
3. Their objectives as fixed by the integrated programme are of great political and economic significance in that they seek to assure the stability of trade in commodities, to improve and maintain the real income of diverse developing countries, to improve market access and security of supply, to diversify the production of developing countries, to improve the competitiveness of natural products in face of competition from and replacement by synthetic products, to improve the market structures in the raw material and commodity sectors whose export is of interest to the developing countries, and to improve structures for marketing distribution and transport.
4. The realisation of such objectives effects a number of aspects of the Community's economy, and touches its general commercial policy, its development policy and its policy regarding the supply of raw materials.
5. The Community, as such must participate in this, in order to assure the protection of its interests. The constructive and rational role that it has played in such international discussions is acknowledged by all.

It will be much more difficult to safeguard its interests in the absence of a common position, as certain recent experiences have shown. Isolated and divergent actions of Member States, cannot have the same impact on the trend of the discussions and negotiations. They will prove, on the other hand, that a common position does not exist and our partners, industrialized as well as developing countries, cannot fail to draw such conclusions within the framework of the current discussions and equally on the more general level of their economic and political relations with the Community.

6. The provisions of the EEC Treaty provide for this situation. Article 113, in effect, foresees negotiation by the Community alone, represented by the Commission, in consultation with a Committee composed of representatives of the Member States, of agreements concerning trade policy.

The Commission recalls in this context its proposals contained in its Communication No 359 (76) of 6 July 1976.

7. It is fitting, on the other hand, to emphasize that in the case of jute all of the Member States find themselves in the same position, that of a net importer of this product.

In addition, the Community has concluded, on the basis of Article 113, trade agreements with the two principle jute producing countries, Bangladesh and India. These agreements cover the period 1.1.76 - 31.12.79; both countries concerned benefit from the generalized tariff preferences for finished products. The Community has undertaken unilaterally to tariff suspensions leading to a nil duty on 1 July 1978; for their part the two exporting countries have accepted self-restraint on their exports to the Community of certain products at agreed levels. Moreover, these agreements have established joint cooperation committies whose aim is to promote on a bilateral basis cooperative activities on questions of research, development and diversification of production. These activities and particularly the organization of contacts between the European industries and the industries of the exporting countries have already begun.

II. The situation of jute

Jute and jute products present, in comparison to other commodities products covered by the integrated programme, the following specific characteristics:

- concentration of raw jute production in the Bengal Delta:
Bangladesh produces 85% of raw jute for commercial purposes;
India 8%;
- irregularity of production due to climatic problems: more or less abundant rains, floods;
- production of raw jute entirely tied to the production of rice, jute lands being the same as rice lands. The areas devoted each season depend therefore on the gap that exists between the price of jute, produced for profit and that of rice produced for consumption;
- ruling prices fixed by the Bangladesh authorities which have influenced the prices asked by neighbouring countries in the framework of the un-official agreement worked out with the FAO (the international group on jute, kenaf, and related fibres);
- constant fall in demands for the finished products in the principal markets (the Community, the US, Japan) owing to competition from substitute products: polyethylene, rubber, and paper. This phenomenon of substitution has moreover been accelerated since 1970 in the notably because the Community's jute industries were abruptly deprived of their supply of raw jute as a result of the war between Pakistan and what was then its eastern province.
- the existence of bilateral agreements between the Community on one part and India and Bangladesh on the other, on trade and trade cooperation for jute products.

III. Directives

1. Taking account of the above, the Community's position can, at the present preparatory stage be set out as follows:

- (a) improvement in stability of supply and demand with the eventual aid of national stock regulators;

- (b) the maintenance of unofficial agreement until a new agreement is established and pursuing the work of the FAO Jute Group if the preparatory meeting does not create an ad hoc body;
- (c) acceleration of the establishment of "Jute International". This organization whose creation has been planned for several years should group India, Bangladesh and Nepal. The main consumer countries can also participate in it.

Its aim is to assure the responsibility of all for research, development and the promotion of jute; particularly, the improvement of yield, quality of the fibre, and research on final uses and by publicity campaigns.

2. The Commission proposes that it express, in the name of the Community, these first positions at the time of the preparatory meeting.

Later, after more extensive study of document TD/B/IPC/JUTE/L2 of the UNCTAD Secretariat, and in light of progress made during the preparatory meeting which will permit to consider the negotiation of an international agreement, the Commission will put to the Council the basic proposals which by then appear necessary, on the basis of the principles laid down in the present paper.